

O 231346Z OCT 00  
FM AMEMBASSY BEIRUT  
TO SECSTATE WASHDC IMMEDIATE 4650  
INFO ARAB ISRAELI COLLECTIVE PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 BEIRUT 004016

DEPT FOR NEA AND SMEC  
PARIS FOR WIENER/O'FRIEL; LONDON FOR SUTPHIN

E.O. 12958: DECL: 10/23/07

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SUBJECT: SLOUCHING TOWARD THE GRAND SERAIL (II) --  
SYRIA CLOSES THE DEAL; HARIRI APPOINTMENT  
AS PM EXPECTED IMMINENTLY

REFS: A) BEIRUT 3914, B) BEIRUT 3962

CLASSIFIED BY AMBASSADOR DAVID M. SATTERFIELD. REASON  
1.5 B AND D.

1. (C) SUMMARY: FORMER PM HARIRI IS EXPECTED TO BE NAMED VERY SHORTLY AS LEBANON'S NEXT PRIME MINISTER, WITH A NEW CABINET PRESENTED FOR PARLIAMENTARY APPROVAL WITHIN THE WEEK. THE GREEN LIGHT FOR HARIRI'S APPOINTMENT WAS GIVEN BY SYRIA FOLLOWING EXTENSIVE CONSULTATIONS IN CAIRO AND HERE OVER THE WEEKEND, WITH ALL BUT A HANDFUL OF MINISTERIAL PORTFOLIOS AND CANDIDATES AGREED UPON. SYRIAN PRESIDENT BASHAR IS REPORTED TO HAVE PROVIDED OVERALL POLITICAL BLESSING TO THE DEAL AND ITS SELLING TO LEBANESE PRESIDENT LAHOUD, WHILE SYRIAN MILITARY INTELLIGENCE LEBANON BOSS KANAAN HANDLED THE DETAILS WITH HIS LEBANESE COUNTERPART JAMIL AL-SAYYID. WHILE SOME KEY PORTFOLIOS -- NOTABLY FINANCE -- REMAIN IN SUSPENSE BETWEEN HARIRI, LAHOUD AND SPEAKER BERRI, THE OUTLINES OF A NEW GOVERNMENT NOW APPEAR SET. END SUMMARY.

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HARIRI GETS THE SYRIAN NOD  
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2. (C) OUTGOING PM HOSS MET WITH AMBASSADOR OCTOBER 23 TO DISCUSS LEBANESE-SYRIAN MEETINGS DURING THE COURSE OF THE CAIRO ARAB SUMMIT AND AGREEMENT REACHED ON COMPOSITION OF THE NEXT LEBANESE GOVERNMENT (OTHER TOPICS SEPT). A VISIBLY RELAXED AND UNUSUALLY VOLUBLE PM HOSS TOLD AMBASSADOR THAT PRESS REPORTING WAS CORRECT; FORMER PM HARIRI WOULD BE NAMED AS HIS SUCCESSOR EVENING OCTOBER 23/MORNING OCTOBER 24, FOLLOWING PRO-FORMA CONSULTATIONS BY LAHOUD WITH THE PARLIAMENT. (NOTE: AT TIME OF DRAFTING, HARIRI HAD RECEIVED THE ENDORSEMENT OF 87 DEPUTIES (128 TOTAL). THE HIZBALLAH BLOC REFUSED TO BACK ANY CANDIDATE AND ARE NOW WIDELY EXPECTED TO REMAIN OUT OF THE CABINET. END NOTE.) WHILE LAHOUD HAD INDEED ATTEMPTED (REF A) TO DEFER THE DECISION AS LONG AS POSSIBLE, HOSS SAID THAT BASHAR AL-ASAD HAD BROUGHT MATTERS TO A HEAD IN CAIRO, PARALLELING SETS OF MEETINGS OVER THE WEEKEND HERE BETWEEN SYRIAN MILITARY INTELLIGENCE LEBANON HEAD GHAZI KANAAN AND PM HARIRI/DRUZE LEADER JUMBLATT/SPEAKER NABIH BERRI.

3. (C) HOSS SAID THAT BASHAR'S ROLE WAS NOT IN THE DETAILS -- "HE HAS NO IDEA WHO MOST OF THE NEXT CABINET APPOINTEES ARE" -- BUT IN GIVING HIS BLESSING TO THE BROAD OUTLINES OF THE GOVERNMENT AND SELLING THE DEAL TO LAHOUD. THE SPECIFICS ON NAMES AND PORTFOLIOS HAD BEEN MANAGED, HOSS SAID, BY LEBANESE GENERAL SECURITY CHIEF JAMIL AL-SAYYID (IN CAIRO WITH LAHOUD) AND KANAAN. WHILE KANAAN WORKED THE PLAYERS ON THE GROUND IN LEBANON, SYRIAN VP KHADDAM AND FM SHARA DEALT DIRECTLY WITH AL-SAYYID TO PRESENT A NEAR-FINAL PACKAGE TO LAHOUD. COMMENTING ON KHADDAM'S ROLE, HOSS EXPLAINED THAT BASHAR WAS CONCERNED THAT HARIRI WOULD ATTEMPT TO USE HIS "TRADITIONAL SYRIAN ALLIES" (READ KHADDAM AND FORMER COS SHIHABI) TO MANEUVER FOR GREATER FREEDOM OF ACTION. BASHAR HAD THEREFORE BROUGHT KHADDAM VISIBLY

INTO THE PROCESS OF DETERMINING THE NEW LEBANESE CABINET AT HIS AND KANAN'S SIDE, "SO HARIRI WOULD UNDERSTAND THAT HE CANNOT PLAY ALTERNATE CHANNELS."

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FINANCE AND FOREIGN AFFAIRS STILL IN PLAY  
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14. (C) COMMENTING ON THE COMPOSITION OF THE NEXT CABINET, HOSS SAID THAT NEITHER HARIRI NOR LAHOUD GOT EVERYTHING (OR EVERYONE) THEY WANTED, BUT ON BALANCE THE GOVERNMENT "SHOULD PROVE GENERALLY HOMOGENEOUS." THAT SAID, SOME SIGNIFICANT ISSUES REMAINED IN SUSPENSE. IN PARTICULAR, HARIRI WAS INSISTING ON THE RIGHT TO APPOINT HIS CANDIDATE (ECONOMIC CONSULTANT BASIL FLEIHAN) AS MINISTER OF STATE FOR FINANCE AND BERRI WAS PUSHING FOR THE JOB TO GO TO A SHIA. HARIRI HIMSELF WOULD BE FINANCE MINISTER, AS IN HIS LAST GOVERNMENT. LAHOUD OBJECTED TO HARIRI OR BERRI PLACING THEIR LOYALIST IN THE FINANCE MINSTATE POST, AND THE SYRIANS -- HOSS CLAIMED -- HAD NOT SETTLED THE ISSUE. THE OTHER MAJOR UNRESOLVED PORTFOLIO WAS FOREIGN AFFAIRS. HOSS SAID THAT A FORMER CAREER DIPLOMAT AND BERRI SUPPORTER, MAHMOUD HAMMOUD (NOW RETIRED; LAST POST WAS AMBASSADOR TO LONDON), WAS THE PRIME SHIA CANDIDATE -- BUT IT WAS STILL A MARGINAL POSSIBILITY THAT THE MARONITES (BALKING AT HAVING TO SETTLE FOR THE MEANINGLESS DEFENSE MINISTRY) WOULD WIND UP WITH JOB.

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ONE MURR OUT; ANOTHER MURR IN?  
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15. (C) CONTRADICTING EARLIER INDICATIONS (REF B), PRESENT DEPUTY PM AND INTERIOR MINISTER MICHEL MURR APPEARS TO BE OUT OF THE NEXT GOVERNMENT, REPLACED -- IN THE BEST LEBANESE TRADITION -- BY HIS SON, ELIAS. HOSS SAID THAT HARIRI INSISTED ON OUSTING MURR SENIOR; THE SYRIANS, HOWEVER, BACKED MURR'S DEMAND FOR COMPENSATION AND HAD AGREED TO LAHOUD'S REQUEST THAT MURR THE YOUNGER (LAHOUD'S SON-IN-LAW AND ADVISOR) TAKE HIS FATHER'S PLACE AT THE INTERIOR MINISTRY. WHILE THIS RESOLVED THE MURR ISSUE, HOSS NOTED THAT IT CREATED A NEW PROBLEM FOR BASHAR ALLY (AND 2004 PRESIDENTIAL HOPEFUL) SULEIMAN FRANJIYEH, JR. FRANJIYEH HAD COVETED INTERIOR AND WOULD NOW, IT APPEARED, HAVE TO BE SATISFIED WITH A LESSER POST -- POSSIBLY A RETURN TO THE HEALTH MINISTRY. REPLACING MURR AS DEPUTY PM WOULD BE NEWLY-ELECTED DEPUTY AND MULTI-MILLIONAIRE ISSAM FARES.

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BUT WHAT DOES IT ALL MEAN?  
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16. (C) REFLECTING ON THE PAST TWO YEARS, HOSS TOLD AMBASSADOR THAT HE RECOGNIZED POPULAR DISAPPOINTMENT THAT MORE COULD NOT HAVE BEEN ACCOMPLISHED BY HIS GOVERNMENT. HOSS DOUBTED, HOWEVER, THAT HARIRI'S LUCK WOULD BE MUCH BETTER. HOSS EXPECTED THAT, WHATEVER THE SHAPE OF THE NEW CABINET, LEBANON'S DESTRUCTIVE CONFSSIONAL AND SELF-SERVING PERSONAL POLITICS WOULD ASSERT THEMSELVES AND THWART "EVEN HARIRI'S" EFFORTS. IN ADDITION, HOSS EXPRESSED HIS PERSONAL VIEW THAT LAHOUD AND HARIRI WOULD "BE AT EACH OTHER'S THROATS" WITHIN MONTHS -- LEADING TO CONTINUOUS SYRIAN INTERVENTION TO SETTLE DIFFERENCES. IN THE END, HOSS SAID THAT HE BELIEVED DAMASCUS WAS NOT UNAWARE OF THE LIKELY NEGATIVE COURSE AHEAD. IF HARIRI WAS BURNED, THROUGH FAILURE TO RESOLVE LEBANON'S ECONOMIC CRISIS, THEN "ALTERNATIVES" WOULD EMERGE TO TAKE HIS PLACE. HOSS SAW NAJIB MIQATI (CERTAIN TO BE IN THE NEW GOVERNMENT) AS THE MOST LIKELY REPLACEMENT CANDIDATE, BUT NOTED "MAYBE I WILL BE BACK SOMEDAY IN THIS OFFICE, TOO."

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WHO RUNS SYRIA?  
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17. (C) AT THE CONCLUSION OF THE MEETING, HOSS ADVISOR MAHMASANI, WHO HAD BEEN WITH THE PM IN CAIRO, TOOK AMBASSADOR ASIDE. MAHMASANI SAID THAT THE PM AND LAHOUD HAD BEEN "VERY SURPRISED" AT THE DEGREE TO WHICH BASHAR HAD NOT APPEARED "IN CHARGE" DURING THE MEETINGS WITH THE LEBANESE SIDE. SHARA AND KHADDAM HAD DOMINATED THE SHOW, WITH BASHAR SHOWING ONLY A "VERY BASIC GRASP" OF LEBANESE PERSONALITIES AND ISSUES. AMBASSADOR NOTED THAT THIS APPEARED VERY MUCH IN LINE WITH HAFIZ AL-ASAD'S MANNER OF DEALING WITH THE LEBANESE, LEAVING DETAILS TO SUBORDINATES. MAHMASANI CONCEDED THE POINT, BUT REITERATED WHAT HE TERMED "OUR PERCEPTION" THAT THE OLD GUARD IN DAMASCUS, INCLUDING "THE MOST RETROGRADE ELEMENTS OF THE BA'ATH REGIONAL COMMAND," WERE RUNNING THE SHOW -- NOT BASHAR.

SATTERFIELD